S4710-2

ANNUAL REPORT

FISCAL 1979

DIVISION OF WORKERS' COMPENSATION

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PREFACE

The workers' compensation law affects nearly every business operation and worker in Montana, and has become an integral part of our industrial and economic system.

Administration of the law has become more complex because of the constant changes in the procedural and substantive law. These changes have been occurring, not exclusively in Montana, but throughout the United States, and have had noticeable impact on various state compensation systems.

Since 1915 the Industrial Accident Board, and its successor agency, the Division of Workers' Compensation, has served Montana employers and employees through administration of the Workers' Compensation Act and various industrial safety laws.

This 65th annual publication has been prepared to provide a comprehensive report of the activities of the Division for the fiscal year ending June 30, 1979. Detailed statistical information regarding industrial injuries suffered by employees throughout the state, as well as financial information concerning the Division's management of the system, including the State Compensation Insurance Fund, is presented for your review.

If you would like to receive further information concerning this report, please contact the Division of Workers' Compensation, 815 Front Street, Helena, Montana 59601.

LAURY M. LEWIS
Division Administrator

SECTION I
DIVISION ADMINISTRATION

The Division was created to administer several laws relating to the industrial operations in this state. These include the administration of industrial safety and health laws, as well as the payment of benefits to workers injured in the course and scope of employment. The laws set forth below are currently under the administrative jurisdiction of the Division, with reference made to the title and chapter numbers in the Montana Code Annotated:

Industrial Safety and Health

1. Occupational Safety Act, Title 50, Chapter 71
2. Safety in Mines Other Than Coal Mines, Title 50, Chapter 72
3. Safety in Coal Mines, Title 50, Chapter 73
4. Boilers and Steam Engines, Title 50, Chapter 74
5. Hoisting Engines, Title 50, Chapter 76

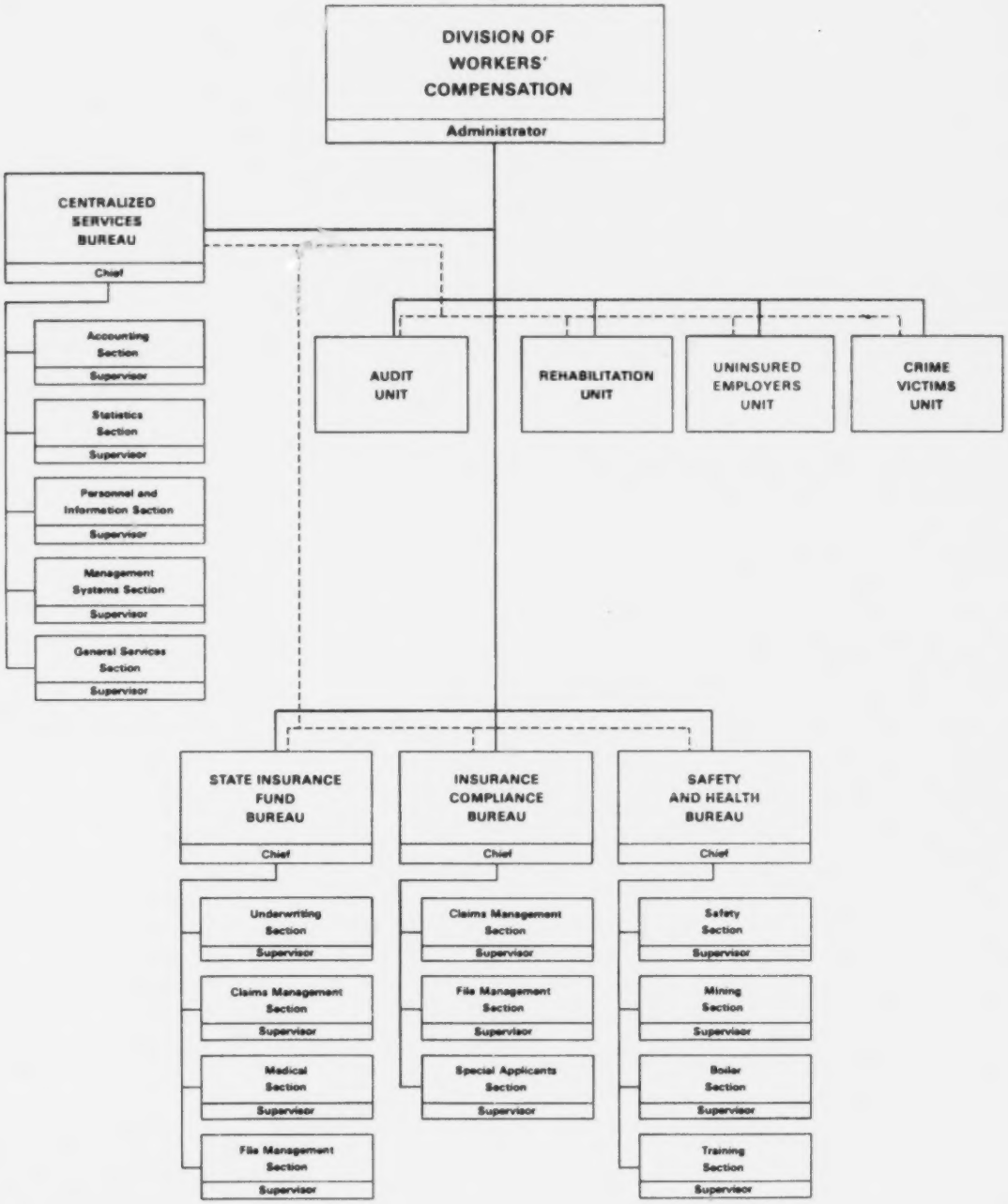
Compensation Systems

1. Volunteer Firefighters' Compensation Act, Title 19, Chapter 12
2. Silicosis Benefits Law, Title 39, Chapter 73
3. Crime Victims Compensation Act, Title 53, Chapter 9
4. Workers' Compensation Act, Title 39, Chapter 71
5. Occupational Disease Act, Title 39, Chapter 72
6. Referral of Disabled Workers for Vocational Rehabilitation, Title 39, Chapter 71

With the assistance of immediate supervisory personnel, the Division Administrator provides overall management to the division.

The agency is divided into four major bureaus which provide the following services: Centralized Services gives needed overall support services to all bureaus and units; the State Compensation Insurance Fund operates a state administered insurance system which allows employers an option for obtaining workers' compensation insurance in Montana; Insurance Compliance reviews the payment of workers' compensation benefits by self-insured employers and private insurance carriers; and Safety and Health administers the occupational safety and health laws.

ORGANIZATION CHART



PRINCIPAL OPERATIONAL PERSONNEL

Laury M. Lewis, Administrator
William R. Palmer, Assistant Administrator
Margaret Condon, Executive Secretary
Carla J. Smith, Chief, Centralized Services Bureau
A. G. Pillen, Chief, State Fund Insurance Bureau
J. E. Jacobson, Chief, Insurance Compliance Bureau
Max Salazar, Chief, Safety and Health Bureau

MAJOR ACTIVITIES DURING FISCAL YEAR 1978-1979

Administrative Program

The Crime Victims Unit, in its first full year of operation, paid over $85,000 to approximately 60 innocent victims of crime. A continuing effort was made to increase public awareness of the availability of benefits to innocent victims.

The Uninsured Employers Fund, also in its first year of operation, investigated employers who failed to provide workers' compensation coverage for their employees. These investigations resulted in penalties being assessed against more than 250 employers. Over $140,000 in benefits were paid from the Uninsured Employers Fund to injured employees.

A new phase of the Division's Management Information System, fully implemented this year, provides a computer alphabetic look-up capability. Commonly referred to as "Alpha Search," this capability allows mail processing through the unit, which can number claims and establish coverage in a far more expedient manner than through the former manual process.

Program personnel participated in small business clinics and met with 1,691 Montana employers in 13 Montana cities. The Annual Claims Seminar was conducted for representatives of the insurance industry, attorneys, physicians, and other interested parties. Additionally, over 1,400 Montana employers were contacted to explain the OSHA federal recordkeeping requirements.

Our Rehabilitation Unit served 435 injured workers, and personnel of the Audit Unit reviewed 954 employer accounts.

State Insurance Fund Program

As of June 30, 1979, 20,189 employers received coverage through the State Fund, which is approximately an 8% increase over the previous year.

A premium volume discount system, in its second year of operation, resulted in direct savings to policyholders of over $800,000. Premium rates were reduced, resulting in direct savings to policyholders of about 1.3 million dollars. The experience rating system allowed a savings of $1,734,707 to 2,993 firms with good safety records, and generated additional premium of $1,172,402 from 832 firms with poor safety records. Compensation and medical benefits paid increased again this year. Nearly 17 million dollars was distributed to injured workers.

Insurance Compliance Program

Personnel in this program processed over 19,000 new accidents reported to insurance carriers and self-insurers, and reviewed and monitored the payment of benefits of injured workers resulting from the submission of 3,300 new claims.

Safety and Health Program

Activities under this program included 1,019 safety and health inspections; 282 training courses in first aid, safety, cardiopulmonary resuscitation, and defensive driving; 708 boiler inspections and investigations; and over 300 inspections and investigations in the mining industry.

COMPARATIVE SUMMARY OF PLANS I, II, AND III

The Montana Workers' Compensation and Occupational Disease Acts allow employers to obtain the required insurance coverage by one of three methods. These methods include: (1) self-insurance under Compensation Plan No. I, where firms with proven financial ability pay directly to the injured workers; (2) coverage with a private insurance company licensed to write workers' compensation insurance in Montana, known as Compensation Plan No. II; and (3) coverage with the State Compensation Insurance Fund, a state operated insurance program, known as Compensation Plan No. III.

The following table compares the overall activity of the three plans for three fiscal years.

Plan I — Self-Insurance	1976 - 1977	1977 - 1978	1978 - 1979
Number of employers enrolled	67	65	67
*Gross annual payroll	$273,665,449	$299,878,617	$379,758,128
Number of work injuries reported	3,434	3,430	3,530
Number of claims filed	819	943	939
Occupational disease cases reported per federal standards	—	17	12
Compensation benefits paid	$2,254,506	$2,432,744	$2,486,740
Medical & burial benefits paid	$1,051,615	$1,119,581	$1,262,853
Subsequent injury fund payments	$4,000	$0	$0
Subsequent injury assessments	$46,773	$44,325	$0
Uninsured employers assessments	$0	$0	$2,000

Plan II — Private Carriers			
Number of employers enrolled	10,549	9,824	9,604
*Gross annual premium	$25,842,103	$27,371,714	$27,456,947
Number of work injuries reported	16,296	15,053	14,918
Number of claims filed	2,335	2,651	2,332
Occupational disease cases reported per federal standards	—	105	84
Compensation benefits paid	$6,827,621	$8,094,026	$8,738,712
Medical & burial benefits paid	$3,364,555	$3,789,400	$3,758,113
Subsequent injury fund payments	$22,000	$4,500	$1,000
Subsequent injury assessments	$132,925	$145,027	$0
Uninsured employers assessments	$0	$0	$11,000

Plan III — State Fund			
Number of employers enrolled	16,935	18,735	20,189
Gross annual premium	$19,455,992	$22,185,099	$22,809,346
Number of work injuries reported	12,004	13,577	15,847
Number of claims filed	1,921	2,234	2,775
Occupational disease cases reported per federal standards	—	65	83
Compensation benefits paid	$6,242,303	$9,062,434	$12,073,818
Medical & burial benefits paid	$3,218,933	$4,062,421	$4,792,134
Subsequent injury fund payments	$21,000	$7,000	$1,000
Subsequent injury assessments	$130,351	$123,660	$0
Uninsured employers assessments	$0	$0	$19,000

*Figures shown on calendar year basis.

SECTION II
FINANCIAL REPORTS

Financial statements in this section show the activity and the condition of Division funds for the fiscal year ending June 30, 1979. The section includes five types of statements, i.e., a statement of appropriations, a balance sheet, a statement of changes in fund balance, a statement of receipts, and a program cost statement. These statements report the financial activity for each fund and accounting entity within the fund administered by the Division. However, because of the size of the State Compensation Insurance Fund, its financial activity is shown in Section III.

The state's accounting system provides nine funds, of which the Division uses five. The General Fund provides moneys to cover costs of the silicosis and social security offset benefit programs. The Earmarked Revenue Fund accounts for moneys generated by the Division, chiefly from assessments levied against insurers and used to defray the cost of operations. Included in this fund is the Crime Victims Compensation Account, which is used to pay benefits to innocent victims of crime. Receipts deposited in this account come chiefly from a portion of the moving traffic violation fines collected throughout the State of Montana. The Federal and Private Revenue Fund accounts for operational moneys received from the federal government. The Division has two sources of revenue in this area, one from an OSHA statistics grant with the Bureau of Labor Statistics, and the other from a coal mine safety grant with the U.S. Department of Labor, Mine Safety and Health Administration. The Federal and Private Grant Clearance Fund accounts for receipts until proper disposition is determined. The Agency Fund consists of those moneys deposited with the Division as custodian or agent. Included in this fund are the Volunteer Firemen, Subsequent Injury, and Uninsured Employers accounts.

The Statement of Appropriation Activity summarizes the funds appropriated for the fiscal year ending June 30, 1979, and the amounts expended or accrued from each appropriation.

STATEMENT OF APPROPRIATION ACTIVITY
FISCAL YEAR ENDING JUNE 30, 1979

Fund & Account	Amount Appropriated	Expended or Accrued: Operation	Expended or Accrued: Benefits	Balance
General Fund	$1,013,883	$ 9,472	$900,800	$103,611
Earmarked Revenue Fund				
DWC Administration	3,106,936	2,992,820	0	114,116
DWC Crime Victims	371,656*	30,171	86,320	255,165
Federal & Private Revenue Fund				
DWC Coal Mine Safety	24,574	13,695	0	10,879
OSHA Statistical Survey	47,912	47,827	0	85
TOTALS	$4,564,961	$3,093,985	$987,120	$483,856

*The crime victims appropriation was authorized for the 1977-79 biennium. Therefore, this amount of spending authority is carried forward from fiscal 1978.

BALANCE SHEET — JUNE 30, 1979

		Earmarked Revenue Fund	
ASSETS	General Fund	Division Administration	Crime Victims Compensation
Revolving Fund Cash	$1,000	$ 4,000	$ 0
Cash in Treasury	0	144,009	338,615
Accounts Receivable	0	0	0
Inter-Entity Loans Receivable	0	0	0
Federal Securities — Book Value	0	0	0
Other Investments — Par Value	0	0	0
Unamortized Premiums	0	0	0
Interest Purchased	0	0	0
Short Term Investment Pool	0	0	0
STIP Interest Purchased	0	0	0
Expense Advances to Employees	0	16,894	0
Property Held in Trust	0	0	0
Deferred Cost on Bond Exchanges	0	0	0
Encumbered Appropriations	3,230	0	0
TOTAL ASSETS	$4,230	$164,903	$338,615
LIABILITIES			
Accounts Payable	$3,951	$102,648	$ 2,428
Accrued Support Expenditures	279	78,938	0
Unaccumulated Bond Discounts	0	0	0
Stale Dated Warrants	0	0	0
Uncleared Collections	0	0	0
Bonds Held in Trust	0	0	0
FUND BALANCE	0	(16,683)	336,187
TOTAL LIABILITIES AND FUND BALANCE	$4,230	$164,903	$338,615

Federal & Private Revenue Fund			Agency Fund			
Coal Mine Safety	OSHA Statistics	Federal & Private Grant Clearance Fund	Insurance Liquidation	Volunteer Firemen	Subsequent Injury	Uninsured Employers
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
9,163	2,326	2,147	0	52	72	2,802
0	0	0	0	0	0	86,656
0	0	0	0	0	0	0
0	0	0	0	180,000	35,000	0
0	0	0	0	1,830,000	1,881,000	0
0	0	0	0	2,597	1	0
0	0	0	0	0	185	0
0	0	0	0	71,450	50,296	228,830
0	0	0	0	26	36	143
0	0	0	0	0	0	0
0	0	0	8,607,000	0	0	0
0	0	0	0	194	0	0
0	0	0	0	0	0	0
$9,163	$2,326	$2,147	$8,607,000	$2,084,319	$1,966,590	$318,431
$1,083	$1,752	$ 0	$ 0	$ 0	$ 0	$ 0
75	43	0	0	0	0	0
0	0	0	0	6,913	7,175	0
0	0	0	0	0	0	0
0	0	2,147	0	0	0	0
0	0	0	8,607,000	0	0	0
8,005	531	0	0	2,077,406	1,959,415	318,431
$9,163	$2,326	$2,147	$8,607,000	$2,084,319	$1,966,590	$318,431

STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDING JUNE 30, 1979

	General Fund
FUND BALANCE, JULY 1, 1978	$ 0
ADDITIONS	
Legislative Appropriations	$1,013,883
Receipts:	
Licenses & Permits	0
Service Fees	0
Fines	0
Income Collections & Transfers	0
Investment Earnings	0
Fiduciary & Trust	0
Grants	0
TOTAL ADDITIONS AND FUND BALANCE	$1,013,883
DEDUCTIONS	
Support Expenditures	$ 9,472
Local Assistance Expenditures	0
Withdrawals	0
Benefits	900,800
Reversions	101,284*
TOTAL DEDUCTIONS	$1,011,556
PRIOR YEAR ADJUSTMENTS	
Revenue	$ 0
Expenditures	2,327
TOTAL ADJUSTMENTS	$ (2,327)
FUND BALANCE, JUNE 30, 1979	$ 0

*Expenses pertaining to the fiscal year that were not accrued at year end may be paid from the reversions.

The Division administers various restricted accounting entities within each fund. Generally, the names of the accounts specify the purpose for which the account is used.

This statement illustrates the year's receipt and disbursement activity upon the beginning fund balance for each of the accounting entities.

The 46th Legislature passed legislation effective July 1, 1979, which transferred the Crime Victims Comensation Account to the Agency Fund. Therefore, this is the last year it will be reported in the Earmarked Revenue Fund.

Earmarked Revenue Fund		Federal & Private Revenue Fund		Agency Fund		
Division Administration	Crime Victims Compensation	Coal Mine Safety	OSHA Statistics	Volunteer Firemen	Subsequent Injury	Uninsured Employers
$ (230,496)	$201,753	$ 2,693	$10,638	$1,845,924	$1,807,854	$117,805
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
26,408	0	0	0	0	0	0
785,735	0	0	0	0	0	0
0	250,925	0	0	0	0	286,293
2,351,446	0	0	0	0	0	0
0	0	0	0	146,906	149,571	10,156
0	0	0	0	232,992	2,000	46,900
24,793	0	19,043	40,390	0	0	0
$2,957,886	$452,678	$21,736	$51,028	$2,225,822	$1,959,425	$461,154
$2,992,820	$116,491	$13,695	$47,826	$ 0	$ 0	$ 0
0	0	0	0	0	0	0
0	0	0	0	151,103	10	142,012
0	0	0	0	0	0	0
0	0	0	0	0	0	0
$2,992,820	$116,491	$13,695	$47,826	$151,103	$ 10	$142,012
$ (2,292)	$ 0	$ 0	$ (2,671)	$ 0	$ 0	$ (761)
(15,959)	0	36	0	2,687	0	(50)
$ 18,251	$ 0	$ (36)	$ (2,671)	$ 2,687	$ 0	$ (711)
$ (16,683)	$336,187	$ 8,005	$ 531	$2,077,406	$1,959,415	$318,431

This statement identifies, by source of revenue, the receipts collected during the fiscal years ending June 30, 1979, and June 30, 1978. All funds, except the General Fund, receive revenue collected by the Division from outside sources. Disbursements cannot be made until the Division collects and deposits these receipts in the proper fund within the Treasury System.

COMPARATIVE STATEMENT OF SOURCES OF REVENUE
FISCAL YEARS ENDING JUNE 30, 1979 AND JUNE 30, 1978

	1979		1978	
Licenses and Permits:				
Engineer Licenses		$ 26,408		$ 24,466
Service Fees:				
Administrative	$ 0		$ 1,685	
Plan I Assessments	$ 211,622		$ 218,808	
Plan II Assessments	688,169		810,564	
Crime Victims Assessments	3,329		0	
Uninsured Employers Assessments	15,509		0	
Total Assessments	$ 918,629		$1,029,372	
Less Transfers to:				
Workers' Compensation Judge	(129,479)		(113,439)	
Commissioner of Labor	(3,414)		(3,202)	
Qualification Examinations	0		589	
Boiler Inspections	0	785,736	2,231	917,236
Investment Earnings:				
U.S. Treasury Obligations	$ 10,275		$ 10,275	
Industrial Bonds	186,976		181,247	
Railroad Equipment Trusts	19,900		24,200	
Public Utility Securities	72,445		40,409	
Annual Modified Income	(853)		(350)	
Short Term Investment Pool	17,890	306,633	7,338	263,119
Fines:				
Motor Vehicle	$ 150,980		$ 220,097	
Civil Penalties	386,238	537,218	142,233	362,330
Firemen's Relief Contributions:		232,992		195,970
Income Collections & Transfers:				
State Compensation Insurance Fund	$2,398,018		$2,223,660	
Less Transfers to:				
Workers' Compensation Judge	(37,591)		(34,075)	
Commissioner of Labor	(9,093)	2,351,334	(5,876)	2,183,709
Workers' Compensation Dividends		111		1,256
Fatality Assessments		34,000		47,500
Recovery — Uninsured Employers		8,163		0
Bad Debts Collected		6,737		0
Other		0		2
Grants:				
Federal Dept. of Labor:				
On-Site Consultation	$ 24,793		$ 0	
Survey Program	40,390		53,725	
Mining Education	19,043	84,226	14,183	67,908
TOTAL REVENUES		$4,373,558		$4,063,496

This statement provides the detail expenditure activity and the funding sources for each of the Division's four programs for the period ending June 30, 1979.

PROGRAM COST STATEMENT
FISCAL YEAR ENDING JUNE 30, 1979

COSTS	Administration Program	State Fund Program	Compliance Program	Safety & Health Program
Personal Services:				
Salaries	$ 752,683	$503,573	$ 215,946	$355,447
Other Compensation	2,484	0	0	175
Employee Benefits	115,092	80,482	34,669	56,572
Sub-Total	$ 870,259	$584,055	$ 250,615	$412,194
Operating Expenses:				
Contracted Services	$ 102,072	$194,770	$ 36,778	$ 12,539
Supplies & Materials	13,024	11,468	11,512	14,142
Communications	36,728	69,586	21,933	11,948
Travel	97,763	29,565	1,066	89,171
Rent	42,375	31,188	16,336	28,915
Utilities	3,624	3,653	2,660	659
Repair & Maintenance	18,121	9,099	4,806	3,764
Other Expenses	5,758	1,389	514	1,196
Sub-Total	$ 319,465	$350,718	$ 95,605	$162,334
Equipment	$ 14,990	$ 13,821	$ 213	$ 16,386
Benefits	$ 175,371	$ 0	$ 811,749	$ 0
Transfers	$ 3,329	$ 0	$ 0	$ 0
TOTAL PROGRAM COSTS	$1,383,414	$948,594	$1,158,182	$590,914

SUMMARY OF FUNDING				
General Fund	$ 89,051	$ 0	$ 821,221	$ 0
Earmarked Revenue Fund	1,246,537	948,594	336,961	577,219
Federal & Private Revenue Fund	47,826	0	0	13,695
Agency Fund	0	0	0	0
TOTAL FUNDING	$1,383,414	$948,594	$1,158,182	$590,914

SECTION III
STATE COMPENSATION INSURANCE FUND

Over the past several years, the Division has made an effort to stabilize rates charged employers insured by the State Compensation Insurance Fund. While the number of employers increased from 18,735 at the end of fiscal 1978, to 20,189 at the end of fiscal 1979, or 8%, earned premium increased only 2%, from $22.3 million in 1978 to $22.8 million in 1979. Investment income in fiscal 1979 grew by $480,645 to $4.7 million. The average portfolio yield increased slightly, despite market fluctuations, from 8.46% in fiscal 1978, to 8.71% for the fiscal year ending June 30, 1979.

Assets in the State Fund also increased, with the most significant coming from net investments amounting to 5.4%.

Substantial growth in claims expense was also experienced. Claims expense rose from $13.1 million last year to $16.8 million in fiscal 1979, an increase of 28.5%, while operational expenses only grew by 14%, from $2,236,228 to $2,554,723. With the increase in enrollments also came an increase in claims processed of 24.2%, and an increase of accidents reported to the State Fund of 16.7%.

As in past years, the Division employed an independent actuary to review the financial and actuarial soundness of the State Compensation Insurance Fund. The report may be found on page 18 of this section. The actuary was also employed to review payroll and accident experience, recommend rate changes, and advise the Division on claim reserving policies.

STATE COMPENSATION INSURANCE FUND
BALANCE SHEET
June 30, 1979

ASSETS

Cash in Treasury			$ 186,748
Premium Due and Billed			191,753
Notes Receivable			4,682
Unbilled Premium Receivable			6,107,325
Deferred Costs on Bond Exchanges			625,562
Property Held in Trust			1,625,313
Investments:			
Mortgages	$ 393,990		
Federal Securities	5,381,000		
Corporate Bonds	53,187,400		
Commercial Paper	800,000		
Gross Investments		$59,762,390	
Plus: Unamortized Premiums	$ 46,149		
Interest Purchased	54,894	101,043	
Less: Unaccumulated Bond Discounts		(991,998)	
Net Investments			58,871,435
TOTAL ASSETS			$67,612,818

LIABILITIES, RESERVES AND FUND BALANCE

LIABILITIES		
Dividends Payable Prior Year	$ 33,654	
Dividends Payable Current Year	6,681,830	
Advance Deposits	4,954,071	
Advance Premium Collections	3,371,302	
Deferred Revenue on Bond Exchanges	46,852	
Accountability for Stale Dated Warrants	8,503	$15,096,212
CLAIM RESERVES		
Compensation Benefits	$32,885,312	
Medical Benefits	7,554,356	
Medical Only Benefits	950,000	41,389,668
FUND BALANCE		
Restricted:		
Provision for Claim Fluctuation	$ 3,159,489	
Provision for Medical and Hospital Cost Fluctuation	600,000	
Provision for Permanent Total Lifetime Benefits	100,000	
Provision for Rate Stabilization	1,130,831	
Provision for Catastrophes	2,800,000	
Provision for Changes in Security Valuation	2,183,870	
Unrestricted:		
Unallocated Premium Due to Change in Accounting Methods	1,152,748	11,126,938
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		$67,612,818

STATE COMPENSATION INSURANCE FUND
STATEMENT OF OPERATIONS AND CHANGES IN RESERVES
FOR FISCAL YEAR ENDED JUNE 30, 1979

INCOME

Net Premium Collected		$22,724,305
Current Year Unbilled Premium	$ 6,107,325	
Less: Prior Year Unbilled Premium Received in Current Year	(6,022,284)	85,041
Total Earned Premium		$22,809,346
Interest Earnings on Investments		4,714,651
Other Income		118,628
Total Current Year's Income		$27,642,625
Prior Year's Adjustments, Net		34,423
Total Income		$27,677,048

EXPENSES

Claims Expenses:		
Compensation Benefits	$12,073,818	
Medical Benefits	4,792,134	
Total Claims Expenses	$16,865,952	
Other Expenses:		
Administrative Assessment	$ 2,398,018	
Bad Debts	156,705	
Rehabilitation Assessment	90,624	
Total Other Expenses	$ 2,645,347	
Total Expenses		$19,511,299
RESULTS OF OPERATIONS BEFORE CHANGES IN RESERVES		$ 8,165,749
Less: Changes in Claim Reserves		
Compensation Benefits	$ 3,374,071	
Medical Benefits	(1,327,523)	2,046,548
RESULTS OF OPERATIONS AFTER CHANGES IN RESERVES		$ 6,119,201

STATE COMPENSATION INSURANCE FUND
STATEMENT OF CHANGES TO FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 1979

RESULTS OF OPERATIONS		$6,119,201
Adjustment to Prior Year Dividend Payable		(20)
Changes to Fund Balance		
Deductions:		
Provisions for Changes in Security Valuation	$ 62,649	
Provisions for Permanent Total Lifetime Benefits	100,000	
Unallocated Premium Due to Change in Accounting Methods	400,000	
Total Deductions		$562,649
AVAILABLE FOR FISCAL YEAR 1979 DIVIDENDS		$6,681,830

The preceding statements reflect the financial activity and condition of the State Fund for the fiscal year ended June 30, 1979.

The balance sheet shows the financial status of the fund as of June 30, 1979. The changes in claim reserves and fund balance accounts were either calculated or reviewed by an independent actuary. Based on the actuary's recommendation, the previously used reserve accounts for "unreported claims," "reopened claims," and "claims expense" are not shown on the balance sheet as separate items, but are included in the other "claim reserve" accounts shown on the balance sheet.

The statement of operations and changes in reserves shows the fund's financial activity during the year.

The fund balance statement shows that after the adjustments to the claim reserve and fund balance accounts, the fund will be able to declare a dividend in excess of $6.6 million. The dividend will be distributed to eligible policyholders sometime during April, 1980.

COATES, HERFURTH & ENGLAND
ACTUARIES AND CONSULTANTS
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November 2, 1979

Workers' Compensation Division
Department of Labor and Industry
State of Montana
815 Front Street
Helena, Montana 59601

Gentlemen:

We have examined the methods and procedures utilized by the Workers' Compensation Division of the Department of Labor and Industry of the State of Montana in the determination of its liabilities for compensation, hospital, medical and other benefits as of the close of its fiscal year June 30, 1979, under Compensation Plan #3, as set forth in the Workers' Compensation Act. Our examination included a determination of the appropriateness of the underlying methods and procedures, such review of the basic records as we considered necessary in the circumstances and an analysis of the results so obtained.

The resulting liabilities for benefits to be paid, so determined, may be summarized as follows:

Claim liabilities and reserves for:

Compensation and benefits	$ 32,885,312
Medical benefits	7,554,356
Medical only benefits	950,000
Total	$ 41,389,668

In addition to the above amounts for claim liabilities and reserves, the Fund is maintaining a claim fluctuation reserve of $3,159,489 and a Rate Stabilization reserve of $1,130,831, together with combined reserves for catastrophe and medical cost fluctuations of $3,400,000. A security valuation reserve of $2,183,870 is also maintained along with a provision of $100,000 for permanent lifetime benefit.

In our opinion, the above claim liabilities are based upon the benefits provided under the Workers' Compensation Act of the State of Montana. Further, in our opinion, on the basis of the information and procedures referred to above, and upon our assumption that the procedures of the Division are adequate to properly establish and maintain records required for this purpose, such liabilities in the aggregate are reasonable and appropriate as of that date, and that the Fund is in a sound actuarial and financial position.

By following this procedure each year and by reviewing and adjusting the rates each year to reflect changing benefits and experience, in our opinion, the Fund can continue to be maintained on a sound actuarial and financial basis.

Sincerely yours,

Joseph T. Flynn

JTF/wpa

SECTION IV
WORK INJURY REPORTS

The Division, through its Centralized Services, Data Processing and Statistical Unit, collects a variety of statistics concerning the nature and cause of industrial work injuries. Accident data is coded from reports submitted by employers and employees, using the standardized coding system adopted by the Occupational Safety and Health Administration. The following tables and graphs present this information on an annual basis. As of September 15, 1979, 34,295 accidents have been reported to the Division as occurring during the fiscal year ending June 30, 1979. These tables show the number of reported accidents, the cause of accidents by major industry, type of disability, nature of injury, part of body affected, accident type, source of injury, age and sex. The first table shows the total injuries reported over the past ten years. The following pages give a detailed analysis of the totals for the current fiscal year. The last two pages in this section show a summary of the data collected and compiled by the Statistical Unit as a cooperating state agency under a federal grant with the Bureau of Labor Statistics. Additional information from past years can be compiled as needed on a request basis, should employers have a need for such information.

A review of the tables presented in this section in relation to individual firms' accident experience can be of value in developing appropriate safety programs or improving existing programs. Currently, the Division participates with the U.S. Department of Labor in a safety consultation program. Division personnel perform on-site consultation inspections to assist employers in understanding the requirements of applicable safety laws, identifying health and safety hazards, and eliminating or controlling these hazards successfully. Upon request, safety personnel perform these inspections at no charge to the employer.

DEGREE INJURIES AFFECTED THE EMPLOYEE'S ABILITY TO RETURN TO THE NEXT SCHEDULED WORK SHIFT

With the implementation of the Division's new management information system, a new coding format was instituted two years ago to better identify the effect an injury has on an employee's work attendance. Prior to fiscal year 1977, the accident was coded either as disabling, which meant the injured party was unable to return to the next scheduled work shift, or nondisabling, which meant that no work time was lost beyond the day of the accident. All accident information coded was from the initial report with no further adjustment effort.

The new reporting format allows the Division more flexibility in identifying lost time injuries. "Lost Time Injuries" refers to those cases where the employee had a medical cost associated with the accident and failed to report to the next scheduled work shift. "No Lost Time Injuries" refers to cases where there was a medical cost involved but the employee attended the next work shift. The minor injuries column refers to cases where a minimal medical cost was initially reported and the employee lost no work time, and therefore considered a minor injury under the OSHA standards. Cases where a firm determination could not be made as to medical cost or lost time were classified as "Unknown." The reader should be cautioned against attempts to make valid comparisons between the two reporting formats.

Year	Total Injuries	Disabling	Percent of Total	Nondisabling	Percent of Total	Undetermined	Percent of Total
1969-70	22,476	6,549	29.1	14,914	66.4	1,013	4.5
1970-71	21,986	5,832	26.5	14,872	67.7	1,282	5.8
1971-72	22,439	6,180	27.5	15,005	66.9	1,254	5.6
1972-73	23,821	6,927	29.1	15,938	66.9	956	4.0
1973-74	27,097	8,394	31.0	17,733	65.4	970	3.6
1974-75	27,120	7,875	29.0	18,312	67.5	933	3.5
1975-76	29,415	8,589	29.2	19,591	66.6	1,235	4.2

Year	Total Injuries	Lost Time Injuries	No Lost Time Injuries	Minor Injuries Not Recordable by OSHA Standards	Fatalities	Unknown
1976-77	31,734	9,760	2,263	15,271	46	4,394
1977-78	32,060	9,668	2,172	16,965	50	3,205
1978-79	34,295	10,185	2,016	17,923	38	4,133

CAUSE OF FATALITIES WITHIN MAJOR INDUSTRY

The table below provides an overview of work related fatalities in Montana by compensation plan during fiscal year 1979. Montana industries reported 50 work related fatalities last year, compared with 38 this year.

INDUSTRY	PLAN I	PLAN II	PLAN III	TOTAL
AGRICULTURE				
Run over by combine	0	0	1	1
Truck-train collision	0	0	1	1
MINING				
Crushed by falling rock	0	0	1	1
Propane tank explosion	0	0	1	1
Struck by drilling pipe	0	1	0	1
Run over by truck	0	1	0	1
Drowning	0	1	0	1
Truck accident	0	0	1	1
Fall from elevation	0	1	0	1
CONSTRUCTION				
Vehicle accident	0	0	1	1
Crushed by truck	0	1	0	1
Ditch cave-in	0	0	1	1
Fall from elevation	0	0	1	1
Crushed by loader	0	0	1	1
MANUFACTURING				
Struck by falling oxygen bottle	0	1	0	1
Strangulation	1	0	0	1
Struck by falling tree	1	1	2	4
TRANSPORTATION				
Truck accident	0	3	1	4
Airplane crash	0	1	1	2
Truck transmission explosion	0	0	1	1
TRADE				
Vehicle accident	0	2	1	3
Run over by truck	0	1	0	1
Truck accident	0	0	1	1
Caught in tractor	0	0	1	1
SERVICES				
Fall from trestle	0	0	1	1
Caught under truck	0	1	0	1
PUBLIC ADMINISTRATION				
Tractor-mower accident	0	0	1	1
Airplane crash	0	0	2	2
TOTALS	2	15	21	38

NATURE AND OCCURRENCE OF WORK INJURIES IN MONTANA

The following narratives and tables reflect data on the nature and occurrence of work injuries as reported to and compiled by the Division. The Division classifies and codes reported accidents in accordance with uniform federal guidelines. As of September 15, 1979, employers and insurance companies reported a total of 34,295 industrial accidents occurring in the fiscal year ending June 30, 1979.

Nature of Injury

The nature of injury identifies the injury in terms of its principal physical characteristics.

Description	Number	Percent
Burns	1,701	5.0
Open wounds	11,346	33.1
Strains	11,015	32.1
Fractures	2,715	7.9
Diseases	179	.5
Bruises	4,700	13.7
Multiple	602	1.8
Other	270	.8
Not classified	1,767	5.1
TOTAL	34,295	100.0

Part of Body

The part of body identifies the part of the injured person's body directly affected by injury.

Description	Number	Percent
Head, face and neck	1,988	5.8
Eyes	4,002	11.7
Body systems	368	1.1
Trunk	3,200	9.3
Back and spine	6,322	18.4
Arms and wrists	2,965	8.7
Hands and fingers	8,039	23.4
Upper extremities	218	.6
Legs and ankles	4,358	12.7
Feet and toes	1,747	5.1
Lower extremities	60	.2
Body multiple	856	2.5
Not classified	172	.5
TOTAL	34,295	100.0

Accident Type

The accident type identifies the event which directly resulted in the injury.

Description	Number	Percent
Struck by object	12,818	37.4
Caught in, on, or between	2,694	7.8
Slips and falls	5,001	14.6
Motor vehicle	536	1.6
Strain or overexertion	7,454	21.7
Temperature extremes	873	2.5
Electrical current	72	.2
Inhalation	1,088	3.2
Rubbed or abraded	2,915	8.5
Combinations	1	.0
Not classified	843	2.5
TOTAL	34,295	100.0

Source of Injury

The source of injury identifies the object, substance, exposure, or bodily motion which directly produced or inflicted the injury.

Description	Number	Percent
Animals	1,505	4.4
Atmosphere	80	.2
Body motion	2,316	6.8
Boilers	155	.5
Boxes and barrels	2,313	6.8
Buildings	693	2.0
Chemicals	983	2.9
Construction materials	6	.0
Conveyors	175	.5
Dirt masses	315	.9
Electrical apparatus	414	1.2
Flame and smoke	442	1.3
Food	376	1.1
Furniture	822	2.4
Glass	650	1.9
Hand tools	3,737	10.9
Hoisting apparatus	456	1.3
Ladders	104	.3
Machines	1,215	3.5
Mechanical transmission	421	1.2
Metal items	4,523	13.2
Particles	1,434	4.2
Textile	245	.7
Vehicles	2,723	7.9
Wood items	2,805	8.2
Working surfaces	4,178	12.2
Miscellaneous	198	.6
Not classified	1,011	2.9
TOTAL	34,295	100.0

Industry Group

These are the standard industrial classifications and provide an overview of experience by industry.

Description	Number	Percent
Agriculture	1,971	5.7
Mining	1,343	3.9
Construction	4,941	14.4
Manufacturing	7,817	22.8
Transportation	1,841	5.4
Wholesale trade	2,632	7.7
Retail trade	5,391	15.7
Finance	291	.9
Services	5,792	16.9
Public administration	2,157	6.3
Not classified	119	.3
TOTAL	34,295	100.0

Work Injuries by Age and Sex

This table compares the work injuries for fiscal year 1979 by age group and sex. The median age of injured male workers was in the 25-29 years age group, as compared to the 30-34 years age group for females.

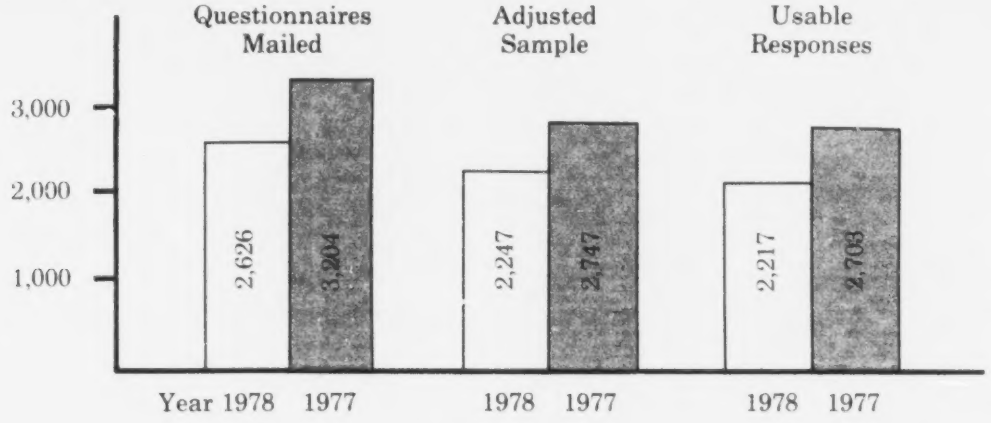
Age Group	Male	Female	Both
Below 15	25	5	30
15 - 19	2,796	751	3,547
20 - 24	6,411	1,389	7,800
25 - 29	5,031	1,007	6,038
30 - 34	3,277	680	3,957
35 - 39	2,277	587	2,864
40 - 44	1,806	486	2,292
45 - 49	1,404	442	1,846
50 - 54	1,336	446	1,782
55 - 59	1,050	394	1,444
60 - 64	632	224	856
65 - 69	174	70	244
70 - 74	67	14	81
Over 75	19	5	24
Not classified	1,222	268	1,490
TOTAL	27,527	6,768	34,295

OCCUPATIONAL SAFETY AND HEALTH ACT SURVEY

The annual Occupational Safety and Health Survey is conducted by the Statistics Section of the Division in cooperation with the Bureau of Labor Statistics of the U.S. Department of Labor. Reported data are based on employer maintained records. The results of the survey are used in measuring and evaluating the effectiveness of the Occupational Safety and Health Act in reducing work-related injuries and illnesses. Survey results are also used as a tool to direct education and inspection activity to industries which have the greatest need for safety improvement programs.

The survey, conducted on a calendar year basis, includes employers of all private industries except self-employed individuals and agricultural firms employing ten or less employees. Federal, state and local government is not included. The data for certain mining activities, railroads, and federal reserve banks was supplied directly by the Bureau of Labor Statistics.

Questionnaires were mailed to 2,626 employers for the 1978 survey and approximately 400 questionnaires are found to be unusable. The overall usable response rate for 1978 was 98.7 percent. The response rate for 1977 was 98.4 percent. The table below compares other 1978 mailing statistics with those of 1977.



1978 AND 1977 INJURY AND ILLNESS INCIDENCE RATES
BY MAJOR INDUSTRY DIVISION PER 100 EMPLOYEES

Industry	Total Cases		Lost Workday Cases		Lost Workdays		No Lost Workday Cases	
	1978	1977	1978	1977	1978	1977	1978	1977
All Industries*	10.0	10.3	4.0	3.5	60.2	54.8	6.0	6.8
Agriculture, Foresty and Fishing**	9.8	12.5	3.7	3.4	78.2	79.4	6.0	9.1
Mining	11.4	10.7	5.2	4.5	117.4	99.6	5.9	6.2
Construction	16.3	16.5	6.3	5.5	109.2	86.2	9.9	11.0
Manufacturing	20.5	22.1	10.4	9.1	152.0	146.5	10.2	13.0
Transportation, Communications, Electric, Gas & Sanitary Services	9.1	8.2	5.2	4.5	65.3	61.1	4.0	3.7
Wholesale and Retail Trade	8.0	8.7	2.1	1.9	31.8	28.3	5.9	6.8
Wholesale Trade	10.4	12.2	3.1	2.9	56.1	54.3	7.2	9.3
Retail Trade	7.2	7.3	1.7	1.5	22.9	18.6	5.4	5.8
Finance, Insurance, and Real Estate	2.0	1.9	0.6	0.4	4.6	7.1	1.4	1.5
Services	6.3	5.9	2.0	1.7	28.2	23.4	4.3	4.2

*Private sector
**Does not include agriculture with ten or less employees

Incidence rates were calculated as follows: N/EH X 200,000
N = number of injuries and illnesses or lost workdays;
EH = total hours worked by all employees during the calendar year;
200,000 = base for 100 full-time equivalent workers (50 weeks X 40 hours)

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